

Joint Commission on Health Care

Initial Presentation: Factors Affecting Health Care Costs (HJR 687)

May 21, 2013

Stephen Bowman

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Background: HJR 687 (2013)

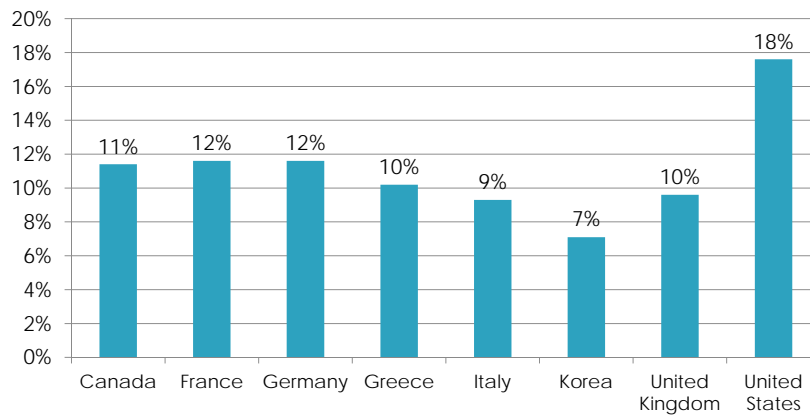
- Patron: Delegate John M. O'Bannon, III
- Study Mandate:
 - Identify factors considered to be the primary contributors to increasing health care costs
 - Report on promising policies, practices, and initiatives expected to help control health care costs while maintaining quality of care.
 - Review approaches undertaken in other states and countries to control health care costs, and
 - Examine the likely impact of federal Patient Protection and Affordable Care Act provisions on the cost of health care.

HJR 687 Study Plan

- 1st Presentation (May):
 - Review primary contributors to increasing health care costs
 - Request JCHC member suggestions regarding:
 - Additional Issues to Analyze
 - Additional Questions to Address
- 2nd Presentation (October):
 - Review policies that help control health care costs while maintaining quality of care,
 - Review approaches undertaken in other states and countries to control health care costs,
 - Examine PPACA impact on the cost of health care, and
 - Additional issues requested by members.

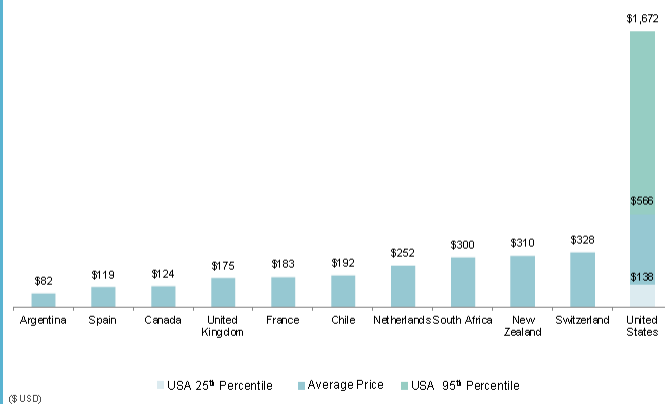
U.S. and International Health Care

Selected Countries Comparison Health Care Spending as a Percentage of GDP (2010)



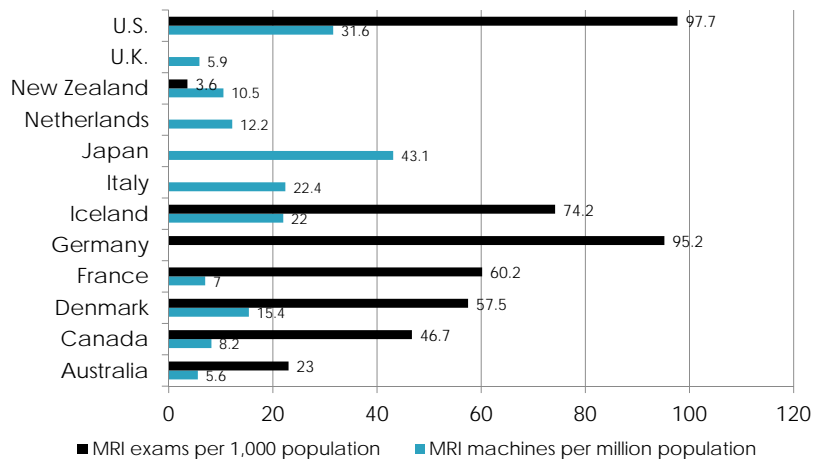
Source: OECD Health Data Set 2012 Frequently Requested Data.

2012 Scanning and Imaging: CT Scan, Head



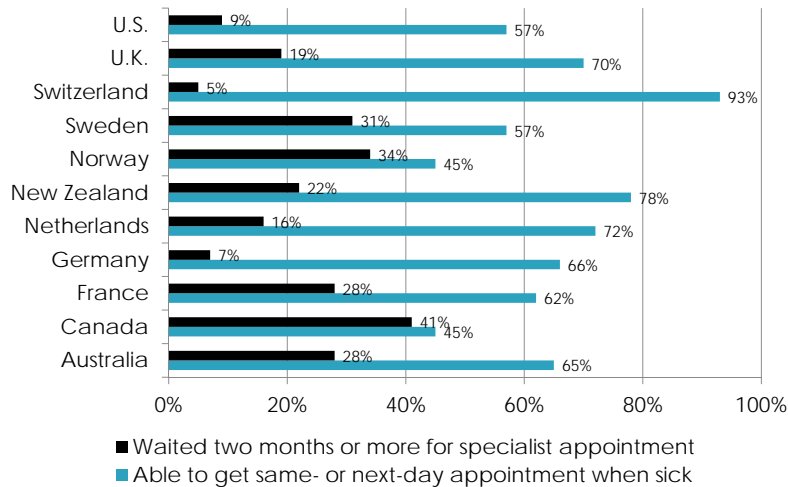
Source: International Federation of Health Plans, 2012 Comparative Price Report.

Health Care Systems Review: MRI Exams and Machines Per Capita(2009)



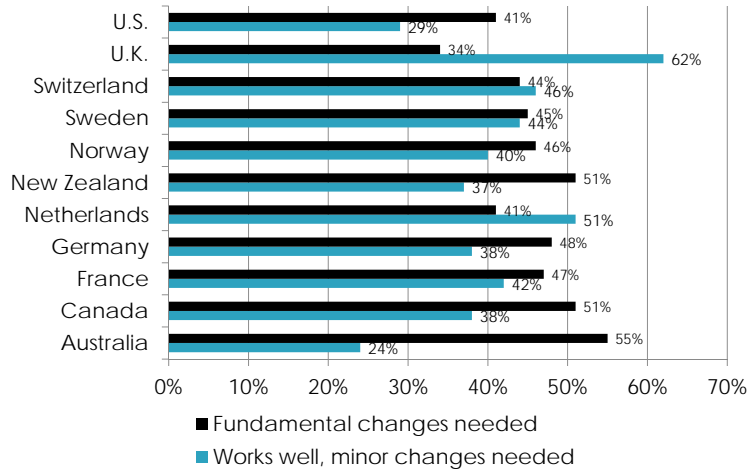
Source: The Commonwealth Fund, *International Profiles of Health Care Systems, 2012*, November 2012.

Health Care Systems Review: Access to Care (2010)



Source: The Commonwealth Fund, *International Profiles of Health Care Systems, 2012*, November 2012.

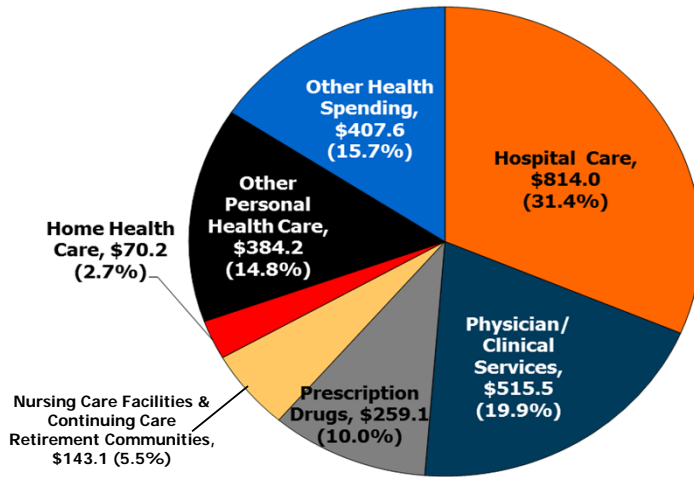
Health Care Systems Review: Public Views of Health System (2010)



Source: The Commonwealth Fund, *International Profiles of Health Care Systems*, 2012, November 2012.

U.S. Health Care Spending

U.S. Distribution of National Health Expenditures, by Type of Service (in Billions), 2010

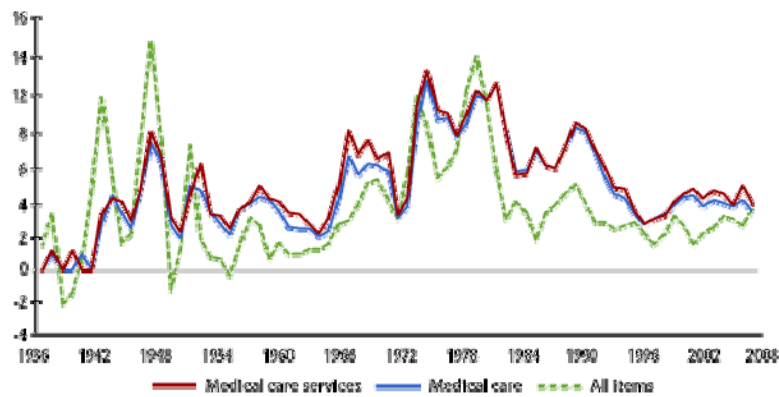


Source: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.gov/medicaid/medicaid.asp> (see Historical: National Health Expenditures by type of service and source of funds, CY 1960-2010: file nhe2010.zip)

U.S. Annual Average Percent in Consumer Price Index, 1936-2008

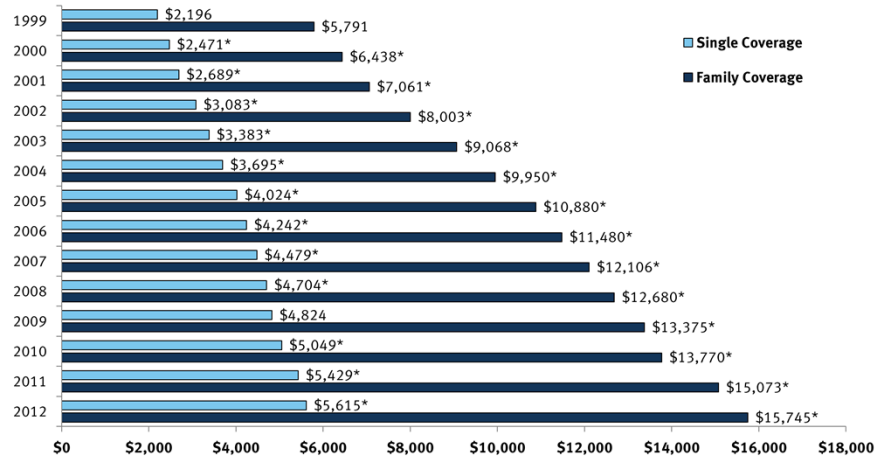
Medical care services, medical care, and all items

Annual average percent change in consumer price index



Source: U.S. Bureau of Labor Statistics, Spotlight on Statistics, Health Care, November 2009.

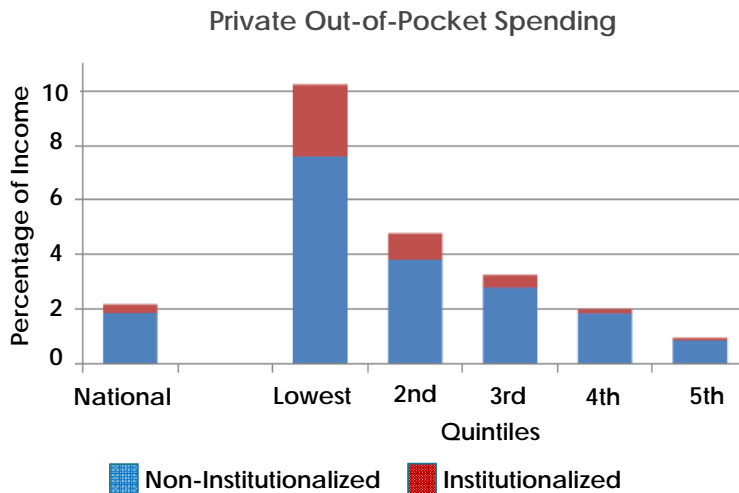
Average Annual Premiums for Single and Family Coverage, 1999-2012



* Estimate is statistically different from estimate for the previous year shown (p<.05).
 SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2012.

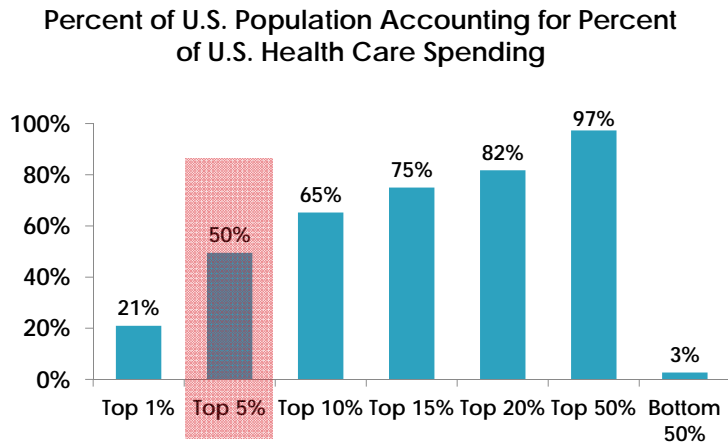


The Lowest Income Families Pay the Highest Share of Income to Finance Health Care (2004)



Source: Lower-Income Families Pay A Higher Share Of Income Toward National Health Care Spending Than Higher-Income Families Do Patricia Ketsche, et al., Health Affairs, September 2011 30:1637-1646.

5% of the U.S. Population Accounts for 50% of Health Care Spending



SOURCE: Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), Household Component, 2010

U.S. Distribution of Average Spending Per Person, 2009

	Average Spending Per Person
<i>Age (in years)</i>	
<5	\$2,468
5-17	\$1,695
18-24	\$1,834
25-44	\$2,739
45-64	\$5,511
65 or Older	\$9,744
<i>Sex</i>	
Male	\$3,559
Female	\$4,635

Source: Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), 2009

Health Care Cost Drivers

Health Care Drivers

A 2012 Report by the Bipartisan Policy Center listed 13 primary cost drivers:

- Fee-for-service reimbursement;
- Fragmentation in care delivery;
- Administrative burden on providers, payers and patients;
- Population aging, rising rates of chronic disease and co-morbidities, as well as lifestyle factors and personal health choices;
- Advances in medical technology;
- Tax treatment of health insurance;
- Insurance benefit design;

Source: Bipartisan Policy Center, What is Driving Health Care Spending, September 2012.

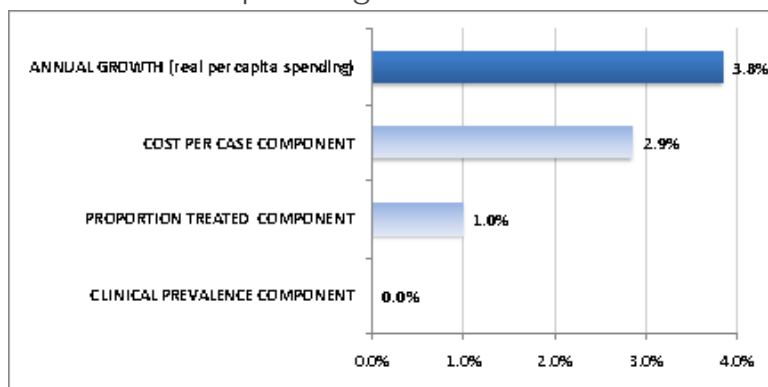
Health Care Cost Drivers (Cont'd)

- Lack of transparency about cost and quality, compounded by limited data, to inform consumer choice;
- Cultural biases that influence care utilization;
- Changing trends in health care market consolidation and competition for providers and insurers;
- High unit prices of medical services;
- The health care legal and regulatory environment, including current medical malpractice and fraud and abuse laws; and
- Structure and supply of the health professional workforce, including scope of practice restrictions, trends in clinical specialization, and patient access to providers.

Source: Bipartisan Policy Center. What is Driving Health Care Spending, September 2012.

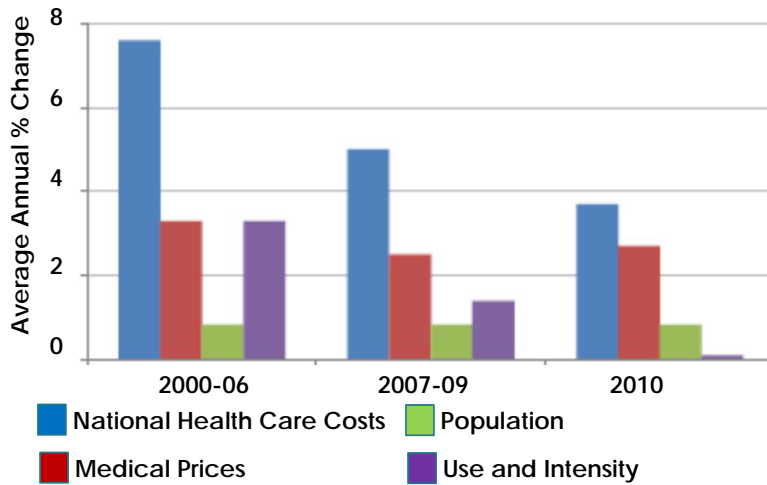
Disease Prevalence Had No Net Impact on Health Care Spending Growth 1996-2006

Decomposition of Real Per Capita Health Spending : 1996-2006



Source: Charles S Roehrig and David M. Rosseau, The Growth In Cost Per Case Explains Far More Of US Health Spending Increases Than Rising Disease Prevalence. Health Affairs September 2011;30:91657-1663.

Factors Accounting for Growth in U.S. Health Care Costs



Source: Bipartisan Policy Center, What is Driving Health Care Spending, September 2012 citing CMS Office of the Actuary, published in Health Affairs 2013; 31:208-219.

JAMA Study: One-third of U.S. Medical Care Spending Is Wasted

Category	Amount	% of total
Poor care delivery		
Unnecessary services	\$192 billion	7%
Failures of care delivery	\$128 billion	5%
Failures of care coordination	\$35 billion	1%
Excessive prices	\$248 billion	9%
Administrative costs	\$131 billion	5%
Fraud and abuse	\$177 billion	7%
Total (per year)	\$910 billion	34%

Source: Aon, Jump In! Reshape the System: Provider Delivery and Payment Reform, 2013 Aon Hewitt Health Care Forums citing Eliminating Waste in U.S. Health Care, Berwick and Hackbarth, JAMA 2012.

Current Slowdown in Health Costs' Rise ...

- U.S. health care spending grew at only 3.9% annually between 2009-2011
 - Lowest health care growth rate in 50 years
- Recent studies suggest several factors contributed to the slowdown, but disagree to the extent of each
 - 77% of changes are a result of the broader economy (Kaiser Family Foundation)
 - 37% of health care slowdown due to recession (Cutler)
 - 20% due to rising out-of-pocket payments (Chernew)
 - Less rapid development of medical treatment

Source: Annie Lowrey, Slowdown in Health Costs' Rise May Last as Economy Revives, *New York Times*, May 6, 2013.

2nd Study Presentation (October)

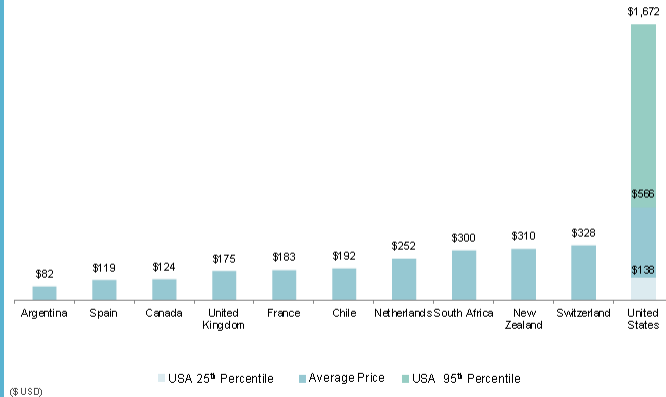
- Review of policies that help control health care costs while maintaining quality of care,
- Review approaches undertaken in other states and countries to control health care costs,
- Examine PPACA impact on the cost of health care, and
- *Additional Issues requested by members.*

Areas to Be Reviewed

- State, country and market approaches to control health care costs through:
 - Better health care outcomes
 - Value-based health care purchasing
 - Health care delivery design
 - Health care payment design
 - Health care oversight design
 - Transparency
- Avenues to encourage competition in the health care market
- Patient Protection and Affordable Care Act impacts on health care costs

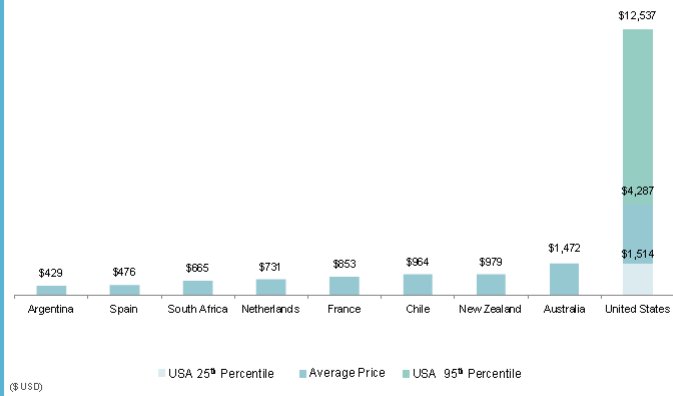
Appendix: International Health Care Price Comparisons

2012 Scanning and Imaging: CT Scan, Head



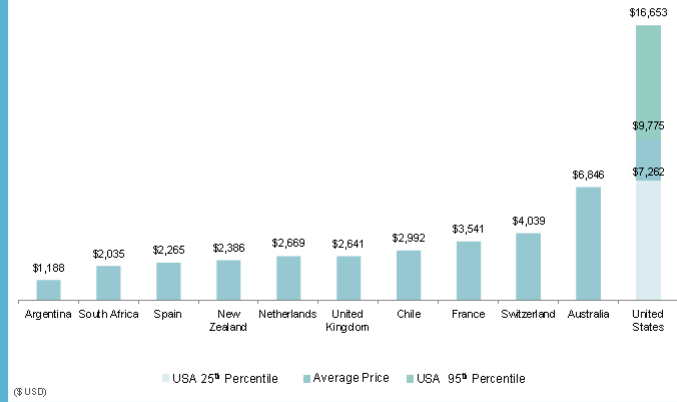
Source: International Federation of Health Plans, 2012 Comparative Price Report.

2012 Cost Per Hospital Day



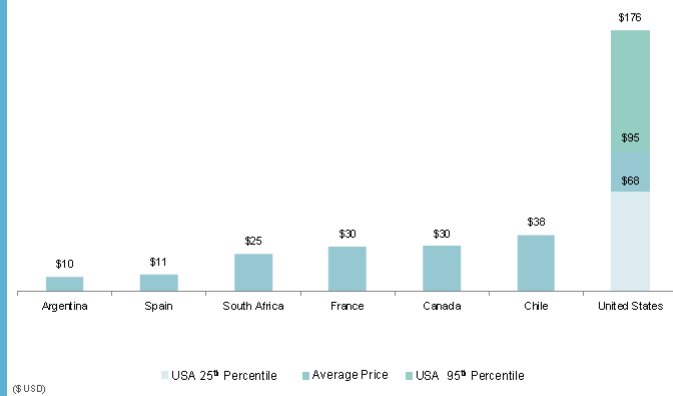
Source: International Federation of Health Plans, 2012 Comparative Price Report.

2012 Total Hospital and Physician Cost: Normal Delivery



Source: International Federation of Health Plans, 2012 Comparative Price Report.

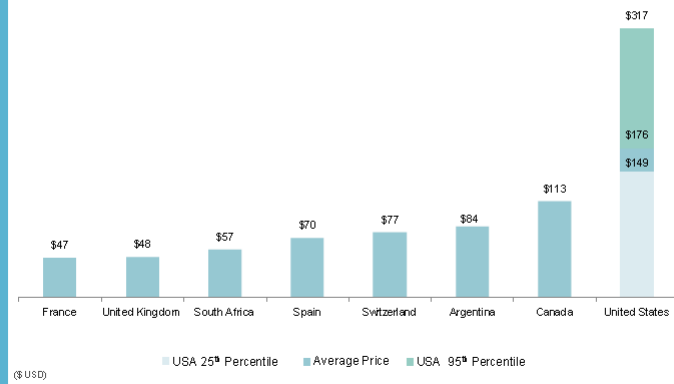
2012 Physician Fees: Routine Office Visit



Source: International Federation of Health Plans, 2012 Comparative Price Report.

2012 Drugs: Cymbalta

Cymbalta is commonly prescribed for depression, anxiety, and fibromyalgia.



Source: International Federation of Health Plans, 2012 Comparative Price Report.